

Department of Social and Health Services

DP Code/Title: PL-UR Utilization Review-Decertification

Program Level - 030 Mental Health

Budget Period: 2003-05 Version: C2 030 2003-05 2004 Sup-Agency Req

Recommendation Summary Text:

This package requests funding for additional staff to correct Western State Hospital (WSH) business operations in the areas of Utilization Review (UR), service coding, and mid-level business management. These staff address the most vulnerable risk areas identified in the January 18, 2001 report to the Legislature titled Assessment of 3rd party Billing Operational, Organizational, and Systems Performance and Capabilities (2001 Report) and written by Public Consulting Group. Statewide result number 5.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	516,000	573,000	1,089,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	57,000	64,000	121,000
Total Cost	573,000	637,000	1,210,000

Staffing

	<u>FY 1</u>	<u>FY 2</u>	<u>Annual Avg</u>
Agency FTEs	11.0	11.0	11.0

Package Description:

WSH is currently out of compliance with the federal UR requirements, which require routine assessment of all patients. Three FTE Nurse Consultants are requested to meet the workload. Federal regulations require hospitals to routinely perform UR on all patients. The regulations describe the processes in great detail and are part of accreditation and certification that allows the hospital to seek reimbursement from Medicaid, Medicare, the Disproportionate Share Hospital payment, and commercial insurance.

WSH currently cannot fully comply with federal requirements to submit clean claims for reimbursement from Medicare and Medicaid. While some of the issues are due to obsolete data systems, many are related to lack of appropriate or complete documentation, service coding and diagnosis. Five FTE Accredited Health Records Technicians are requested to address these compliance issues. These staff will address the workload related to concurrent review of charges prior to submission. Federal regulations require 95 percent compliance with the submission of clean claims. This is a standard hospital industry operation.

The 2001 report to the Legislature identified many gaps in business operations that will require project size corrective actions and ongoing administration to maintain the corrective action. Examples include: development and maintenance of outside medical vendor contracts, patient data collection, analysis and reporting, discharge planning and implementation, claims denial appeals, monitoring and measuring federal regulation compliance, administer smaller accountability centers, and improve management controls throughout the hospital. Three FTE Washington Management Services Band 1 are requested for this purpose.

While the clinical well-being of the patient is attended to at WSH, the financial well-being of the patient is not fully attended to as expected by federal and commercial payers, as well as the patient. Some patients have limited lifetime benefits that pay for daily care. If those benefits are not properly secured, under Washington State Law, the patient must pay for their cost of care. If coverage is inappropriately used, the coverage is not available when the patient really needs it. Service documentation and coding does not routinely stand up to payer review and coverage is not secured for the patient. Again, the patient must pay for their cost of care. If the patient has no income or assets, then the state must pay for the patient's cost of care.

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Narrative Justification and Impact Statement

How contributes to strategic plan:

Achieves compliance with the federal regulations, avoiding loss of federal hospital status that allows federal reimbursement. An audit required by Centers for Medicaid and Medicare Services (CMS) and completed in November 2000 resulted in repayment of \$619,000 Medicare and Medicaid, along with the expectation by CMS that the Department of Social and Health Services fix its federal compliance problems.

Performance Measure Detail

Program: 030

Goal: 04C Ensure public mental health works for most seriously, chronically, mentally ill

Incremental Changes

FY 1

FY 2

Output Measures

1C1	Total number of persons served in community mental health services.	0	0
3C1	Monthly average of daily census for state hospitals.	0	0

Reason for change:

The department has been out of compliance with UR regulations, and has trouble consistently submitting clean claims at the required 95 percent level. Continued neglect will increase the risk that the hospital may lose its federal hospital status and the ability to bill and collect Medicare, Medicaid and commercial insurance revenue.

The UR process is designed to prevent abuse of limited lifetime health care benefits. For example, Medicare offers two 90-day inpatient hospital spells of illness and an additional 10-day spell of illness benefit. Continuing to bill Medicare beyond clinical eligibility for the Medicare benefit inappropriately utilizes a limited benefit day that the patient may need later.

Clean claim issues include duplicate charges, diagnosis coding not correlating to the procedure code, poor service documentation, and the inability to address the denial workload. Given an audit, each line item error is potentially a fine valued at \$10,000.

Impact on clients and services:

This will reduce the client's risk of losing available resources due to inadequate financial management.

Impact on other state programs:

None

Relationship to capital budget:

Not applicable

Required changes to existing RCW, WAC, contract, or plan:

Not applicable

Alternatives explored by agency:

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While current resource solutions have been explored, current staff does not have the resources or skill sets to attend to the findings in the 2001 report to the Legislature. These findings represent the most risk of the department needing to repay the federal government or other payers. The requested resources represent best practices as recommended by the consultants.

Budget impacts in future biennia:

The impact of achieving compliance with Utilization Review regulations is likely to identify patients who will no longer be eligible for inpatient hospital health care benefits.

The impact of enforcing compliance by deploying more staff will enhance the ability of the department to keep the revenue it currently claims.

Distinction between one-time and ongoing costs:

Staffing costs are ongoing.

Effects of non-funding:

Non-funding will increase the client's risk of losing available resources due to inadequate financial management. These potential expenditures would then have to be covered with state dollars.

Expenditure Calculations and Assumptions:

See attachment - MHD PL-UR Utilization Review-Decertification.xls

<u>Object Detail</u>		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding				
A	Salaries And Wages	326,000	436,000	762,000
B	Employee Benefits	83,000	111,000	194,000
E	Goods And Services	44,000	58,000	102,000
J	Capital Outlays	113,000	22,000	135,000
T	Intra-Agency Reimbursements	7,000	10,000	17,000
Total Objects		573,000	637,000	1,210,000
<u>DSHS Source Code Detail</u>				
Overall Funding		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	516,000	573,000	1,089,000
Total for Fund 001-1		516,000	573,000	1,089,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa				
<u>Sources</u>	<u>Title</u>			
19TA	Title XIX Assistance (FMAP)	57,000	64,000	121,000
Total for Fund 001-C		57,000	64,000	121,000
Total Overall Funding		573,000	637,000	1,210,000